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Prospects for ethnic products in the european union.

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## PROSPECTS FOR ETHNIC AFRICAN PRODUCTS IN THE EUROPEAN UNION (Track 3)

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### ABSTRACT

*This paper attempts to identify factors which are conducive to the exportation of ethnic African products into the European Union (EU) market. We develop a conceptual framework within which to examine the main players and processes at work. We also analyse the prospects for authentic African products in selected EU member states, namely France and the UK. We conclude that the reality on the ground often involves complex structures in socially and culturally heterogeneous contexts. Our exploratory study thus seeks to offer insights into these structures and processes, noting that the relationship between ethnic producers/ retailers and their distributional channel members is often volatile and conflictual.*

### INTRODUCTION

This study seeks to tease out the (economic, social, political and environmental) factors which are conducive to the exportation of ethnic African products into the European Union (EU). There is a growing interest in authentic ethnic products, such as handmade crafts, within the European market, particularly in France and the United Kingdom (UK). The growing awareness of health and environmental (ecological) issues has been accompanied by a desire to purchase unique (one-of-a-kind) products, which, in turn, is reflected in the development of theme retail stores, restaurants and/or convenience foods, organic foods and vegetarian products, and traditional handicrafts. Such a 'revolution' has been led by, amongst others, hyper/supermarkets such as *Marks and Spencer (M & S)*, *Sainsburys*, and *Tesco* (in the UK) and *Monoprix*, *Carrefour*, *Auchan* and *Xenos* (in France).

Clearly, the EU market has a number of attractions for African producers: it is the 'largest unified market in the world' (Biggs, et al, 1996: 1; 4); there are no language barriers between the EU and African countries; it lies within the same time zone; the distances, particularly for North and West Africa, are not that huge; and, more importantly, "Europe imports more manufactured goods from Africa than the US and Japan combined, and European firms are the primary source of foreign investment in many African nations" (ibid). Indeed, African countries such as Mauritius, Kenya, Cote d'Ivoire and South Africa more than hold their own in the relatively labour-intensive manufactured goods market, notably 'handicrafts, clothing, textiles and home products (including furniture' (ibid: 1 ;4-6). While there is still a long way to go regarding, for example, the manufacture of complex garments (e.g. suits), these particular countries are making inroads in the European market for basic garments (e.g. T-shirts, trousers), despite the fact that basic garments constitute only a small proportion of clothing which enters the EU market (ibid: 5-7; 9-11). In addition, the close proximity of North African producers, coupled with their relatively skilled workers at low wages, has enabled them to meet orders quickly, respond to changing fashion trends than has been the case for garment producers in Sub-Saharan Africa, whose share of the European T-shirt market is less than 5 percent (ibid: 10).

This is the background against which examination of the potential for African business people within the EU can be conducted. Apart from the opportunities for African producers, there are also parameters or constraints (such as certification procedures) which tend to be in the way of the growth of authentic ethnic products. Given the nature of the EU market, together with the cultural dimension and/or historical ties of African countries to Europe, can producers forge successful and sustainable (formal and informal) links with distributors and/or intermediaries?

Our paper will first set out the conceptual framework within which the study of the relationship between producers, (ethnic) retailers and their distributional channels takes place. This will be followed by the examination of France and the UK (both members of the EU) as potential markets for

African ethnic products. It is on this basis that our concluding remarks will address some of the opportunities and constraints facing African producers.

## CONCEPTUAL FRAMEWORK

Ethnic products often conjure up an image of exotic sophistication, even if the reality involves more complex structures in socially and culturally heterogeneous contexts. It is with this view in mind that we will first introduce the neo-classical viewpoint, building on the preceding discussion to posit the Keynesian/neo-Ricardian perspective which introduces the social context into the discussion, and finally ending with the political economy perspectives which seeks to enrich our understanding of the processes in play.

For the neo-classical economists, the European Union has increasingly become a trading village ripe for African producers to take advantage of whatever opportunities may exist in it. To the extent that “immigrant populations integrate within the mainstream and their disposal income rise, these ethnic pools begin to have wider choice. Better education opportunities means that these pools are literate, can differentiate and make informed choices amid the wider array of competing brands, products and services. Ethnic integration within the mainstream does not mean fully embracing new cultures. On the contrary, these shifting ethnic segments hang-on closely to their cultural root and identity including language and religion” (Myrie, 2007: 1). While the so-called ethnic sub-cultures (Cui, 1997) are not as large in Europe as they are in the USA, it is contended that the very presence of immigrants in the EU has led, not only to the potential growth of African products, but this has also given rise to ethnic-minority businesses within the EU (Biggs, et al:4;6).

In the circumstances, the price mechanism will allocate resources in an equitable way (Ndhlovu, 2007), so that any attempt by African producers to charge over the odds (premium prices) for sub-standard goods will be met with bankruptcy. In other words, ‘product quality, delivery and price requirements’ are crucial to the success or otherwise of ethnic retailing and distribution (ibid). This is a market where there is voluntary exchange and, thus, market forces facilitate mobility of people, goods and services; and ensures that these people and resources go to where there are higher returns. African producers can also take advantage of the EU market since shopping has increasingly become a leisure pursuit, that is, themed retail environments tend to satiate the ‘marketplace demands for more leisure’ (Sherry, et al, 2001: 467). It stands to reason that less developed countries ought to concentrate on labour-abundant products if they to participate in the fruits of relative comparative advantage.

The Keynesians/neo-Ricardians, on the other hand, point to the ethnically diverse European markets and the uncertainty which permeates decision making. This makes contractual relationships more complex than envisaged by neo-classical economists, particularly in the light of the continuing importance of sovereignty of national governments. The political environment varies from country to country so that risk assessment becomes a crucial part of decision making. It is therefore important to appreciate particular governments’ actions with respect to taxation, equity control and expropriation. Clearly, competitiveness in terms of the cost of production (involving wages, productivity and exchange rates) can, in certain favourable circumstances, enable African producers to make a foothold on certain niche markets, despite the seemingly insurmountable institutional and infrastructural constraints, such as local regulations, rules of origin vis-à-vis duty-free access, market size and distributional channels (organised network of institutions and agencies such as supermarkets, importers, distributors, specialised shops, independent health shops, wholesalers, traders) (Biggs et al, 1996: 2; Heide, 1994).

Rather than focus on the ability of individuals to control distributional channels, it is argued that emphasis ought to be put on how distributors can influence the relationship between manufacturers and dealers (Dietsch, 1996). Furthermore, “formal and informal networks will --- provide the necessary deterrent against corruption and/or non-compliance in contractual affairs, while at the same time accounting for the lowering of transactions costs and development of specific business skills” (Ndhlovu, 2007: 4). Informal traders will, for example, rely on trust. The consequent ‘strategic

collaboration' should not, however, minimize 'the role played by government, political, economic, social and environmental factors' (ibid).

This is the background against which the political economy approach erects its central tenets. It transcends the notions of individualism and voluntary exchange, as well as those concerning technological-industrial organization. In other words, it examines the forms in which the relationship between African producers and distributors take place, as well as the relationship between intermediaries (small businesses and suppliers) and, for example, the European Export Management or Trading Companies. Not only are these relationships produced and reproduced in an atmosphere of uncertainty, but, more importantly, they take place within a conflictual context. Moreover, formal and informal networks are formed and reshaped against the background of institutional and historical legacies which involve power relationships, globalisation, as well as cultural identity (Ndhlovu, 2007: 6). Thus, informal networks can have advantages in terms of price, product counterfeiting and the rapid switch of product lines by informal intermediaries.

However, the regulatory environment has some impact on the activities of both formal and informal relationships. Governmental and non-governmental agencies do enforce laws or set guidelines for conducting business. Global marketing activities can be affected by a number of international or regional economic organizations, such as the Multi-Fibre Agreement, the EU's laws governing members states and their relationship with third parties and the WTO's (World Trade Organization) Doha Round of negotiations which are designed to bring about liberalisation and market access at a time when trading blocs regard protectionism as the surest way of coping with the recession. Power relations are reflected in these talks by, not only the number of seats assigned to each delegation (including experts), but also the ability of, say, the USA and the EU, to arm-twist smaller countries into opening up their market without reciprocity on their part. While producers, distributors and retailers can take account of all these complex environments when planning, it must be pointed out that the capitalist system continues to be dogged by inherent contradictions.

Furthermore, and given more welcoming conditions, when seeking more profitable avenues for their ethnic products, African producers can also locate in the themed 'retail spaces. --- capitalism achieves its remarkable success and growth in part by way of the manner in which it occupies and produces 'a space'. Production of the profit-making space of spectacle has increasingly permeated and influenced commercial and retail marketing efforts''(Sherry et al, 2001: 469). However, such a location strategy, given that it is permissible, by African producers can lead to be hostility from the local (EU) producers and fierce competition for the retail space. The survival strategy can thus involve the bankruptcy of the less efficient producers.

## **TRENDS FOR ETHNIC PRODUCTS: THE UK AND FRANCE**

### **The United Kingdom**

While there has been an increasing interest in ethnic products in the UK over the past few years, the so-called Afro-centric goods still account for no more than 1 percent of the UK market (Biggs et al, 1996: 16-17). Meanwhile, the value of the lower-quality men's non-knitted shirts has fallen, suggesting that the more lucrative lines are in women's clothes (ibid). According to Biggs et al, if Sub-Saharan producers had been price competitive, revitalised their designs in line with fashion trends and upgrade their aging mills, then firms like *Gardner* (UK's biggest importer and distributor of school wear), for example, would not have drastically reduced their orders from their Kenyan suppliers in 1995, nor would buyers of products from Sub-Saharan Africa lost interest in trade fairs (ibid: 17).

It is thus especially important that African producers take this on-board. They can take advantage of European people's greater awareness of ethnic, decorative goods, clearly demonstrated by the number of cultural events and themed collections in stores such as *Harrods* and *Liberty's*, as well as *Boots* and *Natural Selection* (ibid). 2006:598). As noted earlier, Biggs et al put a great store on 'flexible production, managerial skills to change production runs, and fast delivery'' (Biggs et al: 18). Little

wonder that *Natural Selection* switched from sourcing their Africa, particularly Kenya, to the Chinese market (ibid: 20). It is further noted that other retailers, such as *Woolworth's*, *Gardner* and *Primark* have responded to the recession by following suit. For its part, *Gardner* also vertically integrated its Kenyan supplier, *Bedi*, to meet head-on the challenge posed by discount stores, mail order and out-of-town superstores such as *IKEA*. Clearly, it is the fierce competition amongst capitals which forced these stores to adopt survival strategies. This was not helped by the onset of the recession, which is part and parcel of the development of capitalism.

## France

Similarly to the UK, ethnic products from Sub-Saharan Africa account for a small proportion of the French market. However, unlike the UK, estimates show that informal trade is as important, if not more important (as in the case of handicrafts), as formal trade. Sub-Saharan exports account for approximately 5 percent of total imports, although the bulk of this is accounted for by high-quality garments from Mauritius (ibid: 21). In textiles, African exports represent 2 percent of total French imports, of which the majority are *gray (ecru)* cloth from Cote d'Ivoire and other French-speaking former colonies.

There is also a possibility here of African producers taking advantage of the demographic trends in France: young adults' (20 to 39 years) demand for domestic furnishings as clothing loses its allure with age; and, despite the social conflict accompanying perceived injustices of (illegal) immigration, French people's general welcoming of other cultures, in particular African culture (ibid: 21-22). This is also demonstrated by the popularity of African art in, for example, Paris, and the fact that the *Hermes* chain continues to buy jewellery from the Sahel region. Biggs et al also contend that, unlike British people, the French can be divided into two discreet groups: those who regard fashion as the be-all-end-all objective; and those who, in response to the recession, profess to look for value-for-money products, which is where authentic African come in. They claim that it is this latter group which has also enticed *M & S* (from the UK) and *Zara* (from Spain) to enter the French market. Judging from these experiences, so the argument goes, ethically influenced products must adapt to changing fashion trends in France, as amply demonstrated by the successful campaign of *Pier Import*, a speciality store (ibid: 23).

Similarly to the UK, women's clothing represent by far the largest value and potential for growth, hence why speciality chains and hypermarket, such as *Zara* and *C & A* have expanded in France, and why the French hypermarket chain, *Auchan*, has followed suit. In response to this threat, departmental stores, such as *Galeries Lafayette*, have given space in their stores to special boutiques and exhibitions, while also indulging in their own promotional campaigns. The looming danger for African producers is that some of these value-for-money stores, notably the *TATI* company, are not only targeting immigrant communities in France, but they have begun to make inroad in African countries such as South Africa (ibid: 24).

## CONCLUSION

This paper has attempted to show that the examination of the prospects for the trade of ethnic products with the European Union is not as straightforward as first suggested by neo-classical theory. Alternative approaches focus on the complex interplay of ethnic retailers and their distributional channels, and the inherent conflict within a system in which fierce competition is part and parcel of the survival strategy. It is against this background that we began to explore the prospects for exporting ethnic African products into France and the UK. This will be the basis for further empirical studies on these prospects and the implications of the accompanying constraints.

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